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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, SEPTEMBER 14, 2001

PETITION OF

FOX RUN WATER COMPANY, INC.

and

WARREN LAND COMPANY, INC.

CASE NO. PUE010069

For approval of the transfer of
water utility assets and for
a certificate of public
convenience and necessity pursuant
to §§ 56-265.2 and 56-265.3 of
the Code of Virginia

FINAL ORDER

On February 6, 2001, Fox Run Water Company, Inc. ("Fox Run" or the "Company"), and Warren Land Company, Inc. ("Warren Land") (collectively, the "Petitioners"), filed a petition requesting Commission approval pursuant to the Utility Transfers Act, Chapter 5 of Title 56, § 56-88 through 56-92, of the Code of Virginia (the "Code"), for Warren Land to dispose of its water facility assets in the Merrymount Subdivision of Mecklenburg County, Virginia ("Merrymount"), and for Fox Run to acquire such assets. In addition, pursuant to §§ 56-265.2 and 56-265.3 D of the Code, Fox Run requests authority to amend its certificate of public convenience and necessity to include Merrymount. Fox Run proposes to bill Merrymount customers, with the exception of an

availability fee, at the Company's existing tariff rates, charges, rules, and regulations.

On March 26, 2001, the Commission issued an Order directing the Petitioners to give notice of their petition to Merrymount customers and local officials, providing interested persons with an opportunity to comment and to request a hearing, and directing Staff to review its application and file a report detailing the results of its investigation.

On May 15, 2001, Fox Run filed proof of notice and service on Fox Run's customers and the Chairman of the Board of Supervisors. No comments or requests for hearing on the petition were filed.

On June 1, 2001, Staff filed its Staff Report. In regard to the requested certificate of public convenience and necessity, Staff recommends approval of the amendment to Fox Run's certificate and the proposed rates, charges, rules, and regulations for the Merrymount water system. Customers will experience an increase in rates from \$8.00 to \$15.00 per month, however, Staff states that such dollar amount is consistent with, or less than, the rates of other water utilities regulated by the Commission. Staff also indicates that the other proposed service charges, including turn-off and turn-on charges, a late payment fee, a customer deposit, and a bad check charge are consistent with Commission policy.

In regard to the proposed transfer of assets, Staff reports that Fox Run and Warren Land negotiated terms of payment for the water system such that Fox Run will pay to Warren Land 70% of the water connection fees collected by Fox Run over the next seven years. The Staff Report states that Fox Run represented to Staff that no records exist to establish the book value of the assets and that there are no schedules of assets, book depreciation, contributed property, or an exact cost of the Merrymount water supply system. The Staff Report also states that there is no indication that the proposed transfer will have any adverse impact on the provision of adequate service to the public at just and reasonable rates. However, Staff noted that it would file a Supplemental Staff Report upon receipt of additional information requested from Fox Run.

On August 24, 2001, Staff filed a Supplemental Staff Report stating that Fox Run had reported it would continue its effort to obtain records and determine the assets' book value. The Supplemental Staff Report stated that based on the information contained in the petition and responses to Staff interrogatories, it appears that the proposed transfer by Warren Land of the Merrymount water utility assets to Fox Run would neither impair nor jeopardize the provision of adequate service to the public at just and reasonable rates, and that the proposed transfer meets the test of the Utility Transfers Act. Therefore, Staff recommends the approval of the transfer, as

well as requiring Fox Run to submit a report to the Commission's Director of Public Utility Accounting providing notice that the transfer has taken place within 30 days of such transfer and to book acquisition of the utility assets in accordance with the instructions provided for Account 104, Utility Plant Purchased or Sold, of the Uniform System of Accounts for Class C Water Utility.

On September 5, 2001, Fox Run indicated to Staff that it has no objections to the Staff Report.

NOW THE COMMISSION, having considered the petition, the Staff Report, and applicable law, is of the opinion and finds that the transfer of water utility assets should be approved pursuant to the Utility Transfers Act. We find that such transfer will not jeopardize or impair the provision of adequate water service at just and reasonable rates. We also find, pursuant to §§ 56-265.2 and 56-265.3 D of the Code, that the public convenience and necessity require us to issue a certificate to Fox Run to provide water service to Merrymount residents, and to approve Fox Run's proposed rates, charges, rules, and regulations of services.

Accordingly, IT IS ORDERED THAT:

(1) Pursuant to the Utility Transfers Act, Warren Land is hereby granted authority to dispose of the assets of its water system as described in the petition.

(2) Pursuant to the Utility Transfers Act, Fox Run is hereby granted authority to acquire from Warren Land the assets of its water system as described in the petition.

(3) A Report of Action shall be submitted to the Commission's Director of Public Utility Accounting no later than 30 days after the closing of the transaction, subject to extension by the Director; such report shall detail the date of transfer, sales price, and accounting entries reflecting the transfer.

(4) Certificate No. W-281(a) is hereby canceled.

(5) Fox Run shall be granted an amended certificate of public convenience and necessity, Certificate No. W-281(b), to provide water service to those areas previously authorized in Certificate No. W-281(a), as well as to the residents of the Merrymount subdivision, at the Company's proposed rates, charges, rules, and regulations of service. Fox Run shall not charge an availability fee to its Merrymount customers.

(6) There being nothing further to be done, this matter is hereby dismissed from the Commission's docket of active cases.